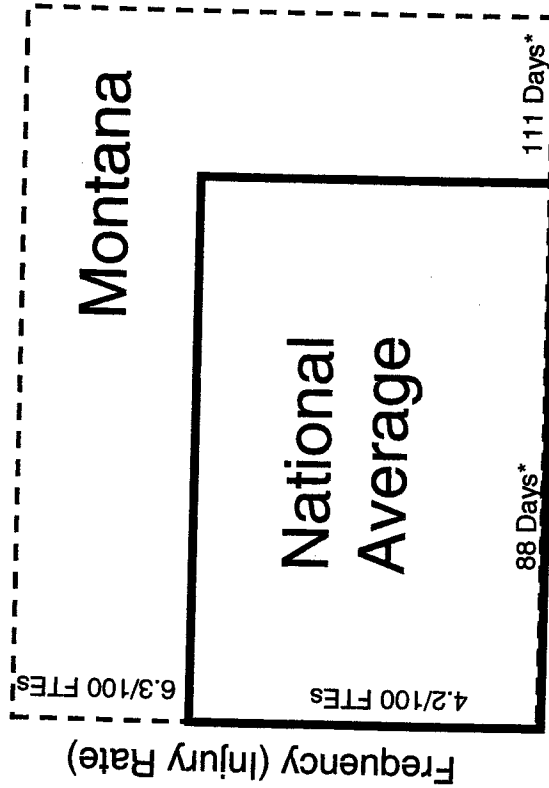


Why high WC premiums?

- We injure more people
- They are off work longer
- We have higher medical costs
- Must collect higher premium per \$100 payroll to cover significantly more people
- Montana has a lower wage base that premium is applied to



Duration (Days Away From Work)

*Using 2008 NCCI State Advisory Forum Report

EXHIBIT

DATE

HB

59

FACT SHEET ON WorkSafeMT
A Statewide Safety Education Campaign
Proposed by the Labor Management Advisory Council
On Workers' Compensation
January 26, 2009

Montana has the second highest workers' compensation premium rates in the country. The primary cost driver for our high premium rates is our high frequency of claims or injury rates (50% above national average). We have an average of 6.3 injuries per 100 employees in Montana vs. a national average of 4.2 injuries per 100 employees.

The Labor Management Advisory Council (LMAC) has been studying the reasons for our high workers' compensation costs for the past 2 years. The LMAC is made up of 5 representatives of management and 5 representatives of labor and is chaired by Lt. Governor Bohlinger.

The Council has recommended that in order to reduce our injury rate, Montana needs a comprehensive statewide safety education program. The LMAC approved creation of the WorkSafeMT Foundation as the vehicle to begin changing the safety culture in Montana.

The WorkSafeMT Foundation is a not for profit public/private broad-based cooperative effort to change Montana's safety and transitional employment cultures. The Board develops the strategic vision, defines the scope of services, provides direction for the implementation of strategic initiatives and assists with evaluation.

WorkSafeMT will engage in a comprehensive state-wide education, technical assistance and social marketing campaign. WorkSafeMT has two main objectives:

1. **To create a safety culture**
2. **To promote transitional employment**

Efforts of WorkSafeMT will include initiatives, strategies, tools and resources to assist both small and large employers in reducing the incidence of workplace injuries. In addition, when funding permits, WorkSafeMT will design and implement a statewide social marketing campaign to begin changing the way we think about safety in the workplace.

The National Council on Compensation Insurance (NCCI), the workers' compensation rate setting authority for Montana, estimates that if we could reduce our incidence of injuries and our duration of time away from work to the national averages, the state of Montana could save more than \$150 million in workers' compensation costs. Here is a breakdown of the potential savings:

- 37.5% or **\$145 million per year** *if* we reduce our injury rate to national average
- 3.3% or **\$12.5 million per year** *if* we reduce days to return to work to national average

Members of the LMAC and WorkSafeMT Board are gauging support for a proposal to appropriate one million dollars from the fund balance in the workers' compensation administration fund on a one-time-only basis to provide seed money to begin this effort. The board is also approaching private corporations and employers to provide private funding for initiatives of WorkSafeMT.

TESTIMONY IN FAVOR OF HB 2
JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT
JERRY KECK, ADMINISTRATOR
EMPLOYMENT RELATIONS DIVISION
DEPARTMENT OF LABOR AND INDUSTRY
January 26, 2009

Mr. Chairman, members of the subcommittee, for your record my name is Jerry Keck. I am the administrator in the Employment Relations Division of the Department of Labor and Industry. The Employment Relations Division (ERD) is responsible for administering many of the statutory programs that apply to the employer – employee relationship. Our goal is to carry out those programs in a manner that efficiently and effectively maintains positive, harmonious relationships between labor and management. In addition we seek to resolve those disputes that do arise at the lowest level possible with minimal fiscal impact to either employers or employees.

The Employment Relations Division has 5 program bureaus and a support bureau:

- 1) The Workers' Compensation (WC) Regulation Bureau verifies WC insurance coverage requirements and policy compliance, provides medical regulation in WC, and issues construction contraction registration certificates and independent contractor exemption certificates.
- 2) The WC Claims Assistance Bureau assists injured workers, WC insurers and medical providers in arriving at early, less expensive settlements of disputes, and provides management information on the WC system.
- 3) The Workplace Safety and Health Bureau administers state industrial safety laws, conducts workplace safety inspections of public sector employers, provides on-site safety consultations for small private employers at their request, and provides a wide range of training on workplace safety standards.
- 4) The Labor Standards Bureau (and administratively attached Board of Personnel Appeals) enforces state labor laws related to payment of wages, and provides collective bargaining mediation.
- 5) The Human Rights Bureau (and administratively attached Human Rights Commission) enforces the Montana Human Rights Act and Governmental Code of Fair Practices through investigations, conciliation, hearings, and education.
- 6) The Management Services Bureau provides administrative and IT support to the other 5 bureaus.

The Goals and Objectives for ERD are driven by our statutory obligations and are quite specific and measurable. At the high level they relate to how many cases are filed and investigated in a timely manner; how many disputes are resolved through informal mediation procedures, how many orders are approved in a timely manner, and how many registrations and exemptions certificates are processed in a timely manner.

Mr. Chairman, with your permission I will distribute the ERD Goals and Objectives which contain the accomplishments for FY 08. On our web site we maintain the historical information on our goals and objectives and the data on meeting those objectives for every fiscal year back to FY 03.

The Employment Relations Division has 2 Decision Packages:

DP 401 – ERD General Operating Increase

The decision package covers the increases for general operating costs for board per diem, indirect costs, leased vehicles, server hosting and off-campus rent.

<u>FY 2010</u>	<u>FY 2011</u>	
\$ 6,600	\$ 6,600	BOPA per diem
\$ 6,000	\$ 6,000	HRC per diem
\$234,525	\$222,210	Indirect cost increase
\$ 13,141	\$ 13,232	LSB – 2 leased vehicles for prevailing wage
\$ 13,177	\$ 13,177	WC Regulations – server hosting under ITSD
<u>\$ 22,823</u>	<u>\$ 23,507</u>	Increases in off campus rent
\$296,266	\$284,726	

DP 402 – WorkSafeMT – Safety Initiative

We are requesting 3.00 FTE to begin implementation of a statewide safety initiative, WorkSafeMT, designed to reduce the incidence of workplace injury, illness, and disease. Montana's workers' compensation premium rates are the 2nd highest in the nation; but the benefits received by injured workers are below average. The reason is that we injure 50% more workers than the national average and they are off work 25% longer than the national average before returning to work. WorkSafeMT is a public-private partnership to begin addressing these issues. Using a combination of public and private funding, the 3.00 FTE requested in this decision package will work with the WorkSafeMT Foundation Board to implement initiatives and strategies aimed at reducing our incident rate to or below the national average.

Mr. Chairman, with your permission, I would like to distribute a handout that illustrates the need for the WorkSafeMT initiative.

Mr. Chairman, members of the subcommittee, I am happy to answer any questions you may have. I request your support for DP 401 and DP 402. Thank you.

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